

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 ISO-00 GSA-01 INT-05

IO-13 COME-00 CEA-01 CIEP-01 CIAE-00 DODE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 SP-02 L-03 H-02 OMB-01

SS-15 NSC-05 TRSE-00 /105 W
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R 031605Z SEP 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5151

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LA PAZ

AMEMBASSY LAGOS

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EMIN

SUBJECT: TIN: PRICES JUMP IN RESPONSE TO NEWS ON
GSA DISPOSAL LEGISLATION

REF: STATE 215548

1. FT COMMODITIES EDITOR JOHN EDWARDS IN AN ITEM OF
SEPTEMBER 2 REPORTED METAL PRICES ON LONDON MARKETS
INCREASED SHARPLY SEPTEMBER 1 IN RESPONSE TO "A MOVE
TO KILL PROPOSALS FOR U.S. STOCKPILE SALES OF SURPLUS
SILVER. TIN AND ANTIMONY." ITEM DETAILED ACTION OF
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THE HOUSE ARMED SERVICES SUB-COMMITTEE IN DELETING

THESE COMMODITIES FROM THE ADMINISTRATION'S BILL TO GIVE THE GSA AUTHORITY FOR DISPOSING OF A NUMBER OF SURPLUS COMMODITIES, INCLUDING 28,000 TONS OF TIN. EDWARDS REPORTED THAT SILVER ALSO INCREASED, AS WELL AS COPPER.

2. IN FACT, HOWEVER, BY THE END OF THE FIRST RING ON SEPTEMBER 3 PRICES HAD DROPPED BACK TO ABOUT THE SEPTEMBER 1 STARTING POINT. FOR THREE MONTHS TIN, THE LME PRICE STARTED SEPTEMBER 1 AT ABOUT POUNDS STERLING 4585, CLIMBED TO ABOUT POUNDS STERLING 4640 AFTER THE NEWS OF THE HOUSE'S ACTION HIT THE LME, REACHING A HIGH OF POUNDS 4665-70 IN CURB TRADING AFTER THE LME CLOSE. LME PRICES WERE STEADY AT AROUND POUNDS 4650-60 SEPTEMBER 2. BUT FELL ON CURB SELLING LATER.

3. ON THE PENANG MARKET, THE PATTERN FOR TIN REPORTEDLY WAS VERY MUCH LIKE THAT ON THE LME, RISING FROM MALAY DOLLARS 1175 PER PIKUL SEPTEMBER 1 TO MALAY DOLLARS 1198--JUST SHORT OF THE ITC CEILING PRICE--THE FOLLOWING DAY, ONLY TO RETURN TO MALAY DOLLARS 1176 SEPTEMBER 3.

4. COMMENT: IT SEEMS OBVIOUS THAT BOTH THE LME AND PENANG TIN MARKETS OVERREACTED TO THE NEWS FROM WASHINGTON. CALMER HEADS PROBABLY REALIZED THAT REMOVAL OF THE PROPOSAL FROM THE BILL TO AUTHORIZE DISPOSAL OF TIN COULD PROVE TO BE NO MORE THAN A TEMPORARY SETBACK. NEVERTHELESS, THE INCIDENT DOES UNDERLINE THE THINNESS OF THE MARKET AND THE IMPORTANCE OF A GSA STOCK WHICH MIGHT SOON COME ON THE MARKET IN DAMPENING SPECULATION.

5. WITH ITS OWN BUFFER STOCK ALL BUT EXHAUSTED, AND PRICES AT RECORD HIGHS, INTERNATIONAL TIN COUNCIL OFFICIALS CLEARLY HAVE A STAKE IN THE DISPOSAL BILL SINCE THEY WOULD LIKE TO BE ABLE TO LOOK TO JUDICIOUS STOCKPILE MANAGEMENT BY GSA AS A FURTHER DEFENSE OF THE ITC CEILING PRICE OF MALAY DOLLARS 1200 PER PIKUL. IN THIS REGARD, ITC EXECUTIVE CHAIRMAN PETER LAI EXPRESSED TO EMBOFFS ON SEPTEMBER 2 HIS CONCERN THAT SUSTAINED LIMITED OFFICIAL USE

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SPECULATIVE BUYING COULD DEVELOP IF THE DISPOSAL PLAN WAS REALLY IN TROUBLE. THIS WOULD MEAN EVEN HIGHER PRICES FOR TIN CONSUMERS.

ARMSTRONG

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